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Robert S. Abrams
(1926-2014)

Marianne E. Van Duyne, CPA
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To the Board of Education,
Mr. Marco Pochintesta, Superintendent, and
Ms. Ann Marie Tromer,
Assistant Superintendent for Business
Pearl River Union Free School District
135 West Crooked Hill Road
Pearl River, New York 10965

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary fund of the Pearl River Union Free School District as of and for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Pearl River Union Free School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl River Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pearl River Union Free School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

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CURRENT YEAR FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESS

BUDGET MONITORING

During our audit we noted the District overexpended their total budgeted appropriations by \$848,638, which is not permitted by Education Law, §1718.

We recommend the District establish and enforce controls to monitor the voter approved budget more closely throughout the year and ensure the District is complying with Education Law §1718. In addition, we recommend the District review their budgeting procedures to ensure that the revenue and expenditure budgets are an accurate and realistic reflection of the District's needs and resources to fund the educational programs. An analysis of the budgeted appropriations accounts should be done on a continuing basis to enable the District to make any necessary adjustments to its appropriation function-object codes.

During our audit we also became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters. We have also included the status of prior year findings and recommendations.

OTHER MATTERS

GOVERNANCE

Board Reports

During our audit we noted that the Board is not provided with monthly cash flow projections as recommended by the New York State Comptroller's office, as required by law. We recommend the Board receive monthly cash flow projections. This will assist in the monitoring of the District's finances.

Reserves

School Districts are permitted by State Education or General Municipal Laws to reserve funds for specific purposes. These reserves generally must be created through board resolution, and generally funded through board approved transfers from fund balance. During our audit we noted that the District currently has no fund balance or reserves plan or policy. We recommend that the District implement a policy pertaining to fund balance and reserves.

Budget Transfers

During our audit we noted seven out of ten instances where budget transfers were performed prior to obtaining Board of Education approval. Additionally, we noted transfers below \$3,000 per line item were being performed by the Assistant Superintendent of Business. However, per Board of Education Policy 6150 Budget Transfers: "The Superintendent of Schools, is authorized to make budget transfers between line item accounts, so long as the transfer for any one item does not exceed \$3,000. All transfers in excess of \$5,000 require prior Board approval." We recommend the District strictly adhere to all Board of Education Policies.

SCHOOL LUNCH

Excess Fund Balance

During our audit, we noted the school lunch fund balance exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by approximately \$512,000. We recommend the District take necessary steps to utilize the excess portion of school lunch fund balance in the upcoming fiscal year.

Cash Collection Process

During our audit we noted that cashiers do not perform a dual count of cash collected in their registers. We recommend that cashiers perform a dual count and both cashiers properly document their counts via a sign off on the deposit slip.

EXTRA CLASSROOM ACCOUNTS

Extra Classroom Activities

During our audit of the District's extra classroom activity accounts we noted the following:

- Sales tax is currently not being monitored or remitted to New York State.
- Club charters are not uniformly being prepared for each student club.
- Proper documentation and/or approvals were lacking for a majority of receipts and disbursements.

We recommend the District review the extra classroom procedures and internal controls to address the items noted above.

STATUS OF PRIOR YEAR RECOMMENDATIONS

SCHOOL LUNCH

Excess Fund Balance

FINDING: During the prior year audit, the prior year auditors noted the District exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by \$169,000. The prior year auditors recommended that the School district take all steps necessary to utilize the excess portion of school lunch fund balance in the upcoming fiscal year.

STATUS: **Partially Implemented.** During our current year audit, we noted the District has developed a plan to utilize the excess fund balance during the upcoming fiscal year.

EXTRA CLASSROOM ACCOUNTS

Extra Classroom Activities

FINDING: During the prior year audit, the prior year auditors noted the District conducted a fundraiser for which the receipts and disbursements were posted to the School Districts records. The prior year auditors recommended that the Agency Fund

should not be utilized for outside fundraising activities.

STATUS: **Implemented.** During our current year audit, we noted the District is drawing down on the money in the Agency Fund via issuance of scholarships and further is not holding fundraising activities.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. Should you have any questions concerning the matters referred to in this letter, we shall be pleased to discuss them with you, at your convenience.

This communication is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



R.S. Abrams & Co., LLP
Islandia, New York
September 24, 2019



Pearl River School District

Ann Marie Tromer
Assistant Superintendent for Business
135 West Crooked Hill Road
Pearl River, New York 10965-2730
TromerA@pearlriver.org
Phone: 845-620-3999

September 23, 2019

Ms. Alexandria Battaglia
R. S. Abrams & Co., LLP
3033 Express Drive North, Suite 100
Islandia, NY 11749

Dear Ali,

The Board of Education and the District's Administration extend a thank you to you and the R.S. Abrams team for the time and effort devoted to the audit of the Pearl River School District Financial Statements and the Extraclassroom Activity Fund Financial Statements. We accept your comments based on your review of our internal controls as documented in your Management Letter dated September 24, 2019.

Please accept this document as our Audit Response and Corrective Action Plan.

Material Weakness:

Budget Monitoring:

R.S. Abrams Finding: The District overexpended their total budgeted appropriations by \$848,638, which is not permitted by Education Law, §1718.

R.S. Abrams Recommendation: The Auditors recommend the District establish and enforce controls to monitor the voter approved budget more closely throughout the year and ensure the District is complying with Education Law §1718. In addition, the auditors recommend the District review their budgeting procedures to ensure that the revenue and expenditure budgets are an accurate and realistic reflection of the District's needs and resources to fund the educational programs. An analysis of the budgeted appropriations accounts should be done on a continuing basis to enable the District to make any necessary adjustments to its appropriation function-object codes.

District Response: The District has been aware of the Budget Issues since the start for the 2018-19 Fiscal Year. The Board of Education and District Administration are aware of the seriousness of this material weakness and has made appropriate actions to correct the issues with budget monitoring. Actions include the hiring of a new Business Official and regular monitoring of the school budget.

Other Matters:

Governance: Board Reports:

R.S. Abrams Finding: During our audit it was noted that the Board is not provided with monthly cash flow projections as recommended by the New York State Comptroller's office, as required by law.

R.S. Abrams Recommendation: The Auditors recommend the Board receive monthly cash flow projections. This will assist in the monitoring of the District's finances.

District Response: The District has been preparing and reviewing monthly cash flow statements all year. The District will now start including these reports as an additional report with the monthly Treasurer Report.

Governance: Reserves

R.S. Abrams Finding: School Districts are permitted by State Education or General Municipal Laws to reserve funds for specific purposes. These reserves generally must be created through board resolution, and generally funded through board approved transfers from fund balance. During our audit we noted that the District currently has no fund balance or reserves plan or policy.

R.S. Abrams Recommendation: The Auditors recommend that the District implement a policy pertaining to fund balance and reserves.

District Response: The District Administration will work with the Board of Education to implement a policy.

School Lunch: Excess Fund Balance

R.S. Abrams Finding: The Auditors noted the school lunch fund balance exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by approximately \$512,000.

R.S. Abrams Recommendation: The Auditors recommend the District take necessary steps to utilize the excess portion of school lunch fund balance in the upcoming fiscal year.

District Response: The District is aware of the excess fund balance and has been working to use these funds to improve the school cafeterias. The remainder of the work will be completed by September 2020.

School Lunch: Cash Collection Process

R.S. Abrams Finding: The Auditors noted that cashiers do not perform a dual count of cash collected in their registers.

R.S. Abrams Recommendation: We recommend that cashiers perform a dual count and both cashiers properly document their counts via a sign off on the deposit slip.

District Response: The District will work with Aramark, our Food Service provider, to ensure a dual count is performed.

Extraclassroom Activity Funds:

R.S. Abrams Finding: The Auditors noted the following with the District's extra classroom activity accounts:

1. Sales tax is currently not being monitored or remitted to New York State.
2. Club charters are not uniformly being prepared for each student club.
3. Proper documentation and/or approvals were lacking for a majority of receipts and disbursements.

R.S. Abrams Recommendation: We recommend the District review the Extraclassroom procedures and internal controls to address the items noted above.

District Response: The District implemented new Extraclassroom Activity Funds Policies and Procedures in October 2018. It has been a learning process for all Advisors and student club members. We will continue to offer all Extraclassroom Activity Club Advisors additional training on these new Policies and Procedures. This training will ensure all Advisors are only conducting appropriate activities as recommended by NYS Department of Education.

Thank you.

A handwritten signature in black ink, appearing to read "Ann Marie Tromer". The signature is fluid and cursive, with the first name "Ann" being the most prominent.

Ann Marie Tromer